

Testimony of Jimmy Gurulé
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Chairman Baucus, Ranking Member Grassley and distinguished members of the Committee, permit me to begin by thanking you for inviting me to testify today about the measures the Treasury Department, and the U.S. government more generally, have taken and are taking to identify, attack and disrupt terrorist financing and the lessons we have learned to date about patterns of financing and fundraising. In addition to my testimony, I am submitting a document for the record entitled "Contributions by the Department of the Treasury to the Financial War on Terrorism" that provides more detailed information in summary form of our efforts since the brutal attacks of September 11th. That paper also is available on our website at <http://www.treas.gov/press/releases/reports/2002910184556291211.pdf>.

Preliminarily, I would like to re-state the Treasury Department's gratitude to this Committee and the Congress for the additional resources, authorities, and support given to the Executive Branch this past year to assist Treasury in identifying, disrupting, and dismantling terrorist financial networks. Immediately after the horrific attacks of September 11th, Congress worked closely with the Department of the Treasury, along with the Department of Justice and other agencies and departments, to make significant improvements in the law that enhance our ability to tackle the issue of terrorist financing in a more unified, cohesive and aggressive manner. Of particular importance to our counter-terrorist efforts, the USA PATRIOT Act, enacted into law on October 26, 2001, expands the law enforcement and intelligence community's ability to access and share critical financial information regarding terrorist investigations.

On September 24, 2001, President Bush stated, "We will direct every resource at our command to win the war against terrorists, every means of diplomacy, every tool of intelligence, every instrument of law enforcement, every financial influence. We will starve the terrorists of funding." The President directed the federal government to wage the nation's war against the financing of global terrorism, and we have continued to devote our extensive resources and expertise to fulfill this mandate. In our actions and in our words, the Treasury Department has shown quite clearly that in this war, financial intermediaries and facilitators who infuse terrorist organizations with money, materiel, and support must be held accountable along with those who perpetrate terrorist acts.

Before I turn to specific developments in our fight against terrorist financing, I would like to emphasize the importance of vigorous interagency consultation and cooperation in attacking terrorist financing, and thank the other agencies and departments in our federal government for their work with us over the past year. We have seen that terrorist financing is a complicated and

multi-dimensional problem that both domestically and internationally implicates a range of legal, regulatory, financial, intelligence and law enforcement interests. Consequently, no successful attack on the financial underpinnings of terrorism may be advanced without coordinated interagency strategies on the use of legal, regulatory, private sector, law enforcement and intelligence-gathering tools required to combat this problem.

I would now like to briefly review our efforts in countering terrorist financing since the events of September 11th. This review will provide a helpful context for some recent developments that I would then like to describe in greater detail for you.

I. A Brief Review of Our Efforts to Combat Terrorist Financing

Identifying, attacking and disrupting the financial underpinnings of terrorism are matters of national security. This war on terrorist financing is an immense undertaking. The openness of our modern financial system, which allows savers and investors to fuel economic growth, also creates opportunities for terrorists to hide. Our challenge in this front of the war against terrorism is to protect the efficiency and flexibility of the world's financial systems while preserving the integrity of such systems by ensuring that they are not abused by terrorists and their financiers. We have enjoyed success, but much more remains to be done.

In the months immediately following the heinous crimes of September 11th, the Department of the Treasury took six principal steps to identify and pursue financial underwriters of terrorism:

1. Working with other USG agencies, we implemented Executive Order 13224, giving us greater power to freeze terrorist-related assets;
2. We established Operation Green Quest, an inter-agency task force which has augmented existing counter-terrorist efforts by targeting financial networks and mechanisms, and by bringing the full scope of the government's financial expertise to bear against systems, individuals, and organizations that serve as sources of terrorist funding;
3. The United States won the adoption of UN Security Council Resolutions 1373 and 1390, which require member nations to join us in the effort to disrupt terrorist financing;
4. We engaged other multilateral institutions such as the Financial Action Task Force (FATF) and the international financial institutions to focus on terrorist financing;
5. We began implementation of the USA PATRIOT Act provisions to broaden and deepen our access to critical financial information in the war against terrorist financing and to expand the anti-money laundering regulatory net for our financial system; and
6. We began sharing information across the federal government, with the private sector, and among our allies to crack down on terrorist financiers.

As we executed these initial steps, we began to formulate a strategy for combating terrorist financing on a global scale. For the first time, the 2002 National Money Laundering Strategy (NMLS) contains such a strategy, with a discrete set of objectives and priorities targeting terrorist financing. The NMLS identifies financial mechanisms or systems by which terrorist funding is effectuated, and seeks to attack these mechanisms on an interagency and coordinated basis. Released this past summer by the Secretary of the Treasury and the Attorney General, the NMLS states that terrorist groups tap into a wide range of sources for their financial support, including sources that are otherwise legitimate commercial enterprises such as construction companies, honey shops, tanneries, banks, agricultural commodities growers and brokers, trade businesses, bakeries, restaurants, bookstores, and through non-governmental organizations (NGOs). The Strategy also states that, although terrorists receive material assistance and/or financial support from rogue nations and other governments that are sympathetic to the terrorists' cause, they also secure funding from charity or relief organizations, money remitters, informal value transfer systems, as well as trade-based schemes. The NMLS addresses each of these mechanisms, and establishes priorities and objectives to identify and attack their corruption by criminals.

Our strategy, in its broadest outlines, focuses in particular on the following seven areas: (1) targeted intelligence gathering; (2) freezing of suspect assets; (3) law enforcement actions; (4) diplomatic efforts and outreach; (5) smarter regulatory scrutiny; (6) outreach to the financial sector; and (7) capacity building for other governments and the financial sector. This is an integrated inter-agency strategy because these efforts draw on the expertise and resources of the Treasury Department and other departments and agencies of the federal government, as well as our foreign partners and the private sector. Allow me to highlight briefly the efforts the Treasury Department has taken to tackle terrorist financing in these seven areas of focus identified in our terrorist financing strategy.

First, with respect to targeted intelligence gathering, we are applying technology, intelligence, investigatory resources and regulations to locate and freeze the assets of terrorists, wherever they may hide. New powers granted to Treasury by the President and Congress have enabled us to scour the global financial system for suspicious activities with greater precision than ever before.

Second, we are freezing terrorist-related assets on a global scale. To date, we have frozen over U.S. \$34 million in terrorist-related assets pursuant to designation under Executive Order 13224, and the international community has frozen an additional U.S. \$78 million in terrorist-related assets pursuant to designation under United Nations Security Council Resolution 1390, 1373 and related preceding resolutions.

Third, we have coordinated effective law enforcement actions both domestically and internationally against terrorist cells and networks. On October 25, 2001, Treasury created Operation Green Quest ("OGQ"), a new multi-agency financial enforcement initiative intended to augment existing counter-terrorist efforts by bringing the full scope of the Treasury Department's financial expertise to bear against systems, individuals, and organizations that serve as sources of terrorist funding. Internationally, Treasury has deployed Customs attaches and representatives from Treasury's Office of Foreign Assets Control (OFAC) in strategic

embassies around the world to facilitate cooperation with host countries and regions in combating terrorist financing. International law enforcement cooperation has led to over 2400 arrests of suspected terrorists and their financiers in 95 countries.

Fourth, together with other agencies, we are using our diplomatic resources and regional and multilateral engagements to ensure international cooperation, collaboration and capability in dismantling terrorist financing networks. As stated above, the United States has worked through the United Nations to globalize the war on terrorist financing, and we have complemented these efforts with a range of bilateral and multilateral initiatives.

Fifth, we are engendering smarter regulatory scrutiny by training the financial sectors to concentrate enhanced due diligence and suspicious activity monitoring on terrorist financing and money laundering typologies. Through the USA PATRIOT Act authorities, we are expanding and enhancing regulatory scrutiny to all businesses within the financial sector that may be susceptible to terrorist or criminal abuse.

Sixth, we have undertaken our regulatory expansion under the authorities of the USA PATRIOT Act in full consultation with the private financial sectors that we are regulating. This outreach has assisted and informed our regulatory strategy with respect to each financial sector so that costs of new regulation are borne only where warranted by the offsetting enforcement benefit. For example, after prolonged discussion with the insurance industry, we decided to regulate life and annuity insurance products because of their investment-like characteristics, but we decided against regulating other forms of insurance, such as health care or property insurance, because of the low risk that such policies have for terrorist financing or other financial criminal abuse. Most importantly, on October 1, 2002, FinCEN's secure link with financial institutions, the USA PATRIOT Act Communications System (PACS), became operational. Bank Secrecy Act reports are now being filed via PACS.

Finally, we have engaged in several capacity-building initiatives with other governments and the private sector with respect to terrorist financing. For example, internationally, Treasury is co-chairing a FATF Working Group on Terrorist Financing, which, among other issues, is charged with identifying technical assistance needs of various governments around the world. This Working Group is collaborating with donor states, the International Monetary Fund, the World Bank, and the UN Counter-Terrorism Committee in coordinating the delivery of technical assistance to those governments. Bilaterally, Treasury's Office of International Enforcement Affairs has actively participated in conducting several inter-agency assessments of technical assistance needs with respect to combating terrorist financing in various countries of strategic interest to the United States.

In pursuing these areas of focus, we have adopted a systemic approach against terrorist financing. As the initial results of the September 11th investigation have made clear, the financial trail left by terrorists and their facilitators represents a vulnerability that must be pursued and exploited. Our strategy takes full advantage of the new authorities granted to us under the USA PATRIOT Act and the international support that we have cultivated against terrorism to find these financial trails and uncover terrorist financing networks and operational

cells. We have utilized these authorities and resources to attack the terrorist financial infrastructure; that is, their formal, informal and underground methods for transferring funds across borders and between cells, whether through banks, businesses, hawalas, subverted charities, or innumerable other means. Through designation, regulation and investigation, we have systemically been shutting down terrorist access to these financing channels and mechanisms, and we have used the money trails evident in terrorist financing cases to locate and apprehend terrorists.

Our objective is simple—to prevent acts of terrorism in the short and long term by identifying and disrupting terrorist operations and the financial networks that support those operations. To pursue this objective, we have been working in close partnership with the Department of Justice and its investigative components, the State Department, the Department of Defense, the intelligence community, and many other agencies of the federal government to address terrorist financing on multiple levels. We have concentrated much of our enforcement efforts and resources on identifying, tracing, and blocking terrorist-related assets. In this endeavor, we have gathered the financial expertise, information and authorities that are unique to the Treasury Department to attack terrorist financing on all fronts. We have also engaged the world, in bilateral and multilateral fora, to ensure international cooperation in our anti-terrorist campaign. I would now like to describe these operational, regulatory and international aspects of our counter-terrorist financing efforts in greater detail.

II. Actions Taken Against Terrorist Financing

Shutting Down Terrorist Access to Formal Financial Channels

The most visible and immediately-effective tactic of our comprehensive terrorist financing strategy has been designating and blocking the accounts of terrorists and those associated with financing terrorist activity. Public designation of terrorists, terrorist supporters and facilitators, and blocking their abilities to receive and move funds through the world's financial system, has been and is a crucial component in the fight against terrorism. On September 24, 2001, President Bush issued Executive Order 13244, "Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism." Section 1 of the Order states: "All property and interests in property of the following persons. . .that are in the United States or that hereafter come within the United States, or that hereafter come within the possession or control of United States persons are blocked."

The Department of the Treasury's Office of Enforcement, in conjunction with the Office of International Affairs and the Office of Foreign Assets Control, has helped lead U.S. efforts to identify and block the assets of terrorist-related individuals and entities within the United States and worldwide. Currently, 240 individuals and entities are publicly-designated as terrorists or terrorist supporters by the United States, and since September 11th over \$112 million in the assets of terrorists has been frozen around the world. Beyond simply freezing assets, these U.S. and international actions to publicly-designate terrorists and their supporters advance global interests in suppressing terrorist financing and combating terrorism by:

- (i) shutting down the pipeline by which designated parties moved money and operated financially in the mainstream financial sectors;
- (ii) informing third parties who may be unwittingly financing terrorist activity of their association with supporters of terrorism;
- (iii) deterring undesignated parties that might otherwise be willing to finance terrorist activity;
- (iv) exposing terrorist financing “money trails” that may generate leads to previously unknown terrorist cells and financiers;
- (v) forcing terrorists to use more costly informal means of financing their activities; and
- (vi) supporting our diplomatic effort to strengthen other countries’ capacities to combat terrorist financing.

Only the first interest identified above can be quantified by hard numbers; that is, the value of assets frozen pursuant to blocking actions. However, we must remember that the value of the designation process is much greater than any amount of terrorist money frozen. The designation process is invaluable because it accomplishes all of the other interests identified above, and in doing so, shuts off terrorist access to the world’s formal financial systems.

Currently, over 160 countries and jurisdictions have blocking orders in force; but, not every country has joined us in blocking every identified terrorist or terrorist supporter. We must continue to work to ensure that countries do more than just add names to a list; we must also work towards ensuring that they have the necessary legislation, training and political will to join with us in shutting down terrorist access to international financial systems.

As we succeed in our domestic and international efforts to deny the world's financial systems to terrorists and their financiers, terrorists will be forced to utilize alternative methods such as bulk currency transfers, alternative remittance systems, charities, and trade-based transactions to raise and move money. In a recent speech to the Council on Foreign Relations echoing these concerns, Deputy Secretary Ken Dam stated, "public designations are, by their very nature, public and therefore terrorists can adapt their behavior by keeping their money out of the United States or other financial centers with regulations in place to stop them. Instead, they will utilize other methods to move their money, such as trade in commodities like gold or diamonds, and avoid storing large sums of money in any one location." We are targeting these mechanisms as well. I'd now like to turn to these alternative financial mechanisms and briefly describe our efforts to combat terrorist financing conducted through these mechanisms.

Protecting Charities from Terrorist Abuse

Charities across the world perform an important function, enhancing the lives of millions of people. In 2000, for example, Americans donated U.S. \$133 billion to charity with humanitarian

intent. Unfortunately, however, terrorists have preyed upon such noble intentions by diverting charitable funds for terrorist purposes.

Our task then is twofold: (1) to identify those charities which are nothing more than fronts for terrorist organizations; and (2) to prevent legitimate charities from being abused by terrorist financiers without chilling legitimate charitable donations and charitable works. Our strategic approach, as set forth in the recently published 2002 National Money Laundering Strategy, involves domestic and international efforts to ensure that there is proper oversight of charitable activities, as well as transparency in the administration and functioning of charitable organizations. We also are striving to effect greater coordination with the private sector to develop partnerships that include mechanisms for self-policing by the charitable and non-governmental organization sectors.

Under the authority of E.O. 13224, the United States has designated ten foreign charitable organizations as having ties to al-Qaida or other terrorist groups and has shut down two prominent U.S.-based charities with ties to Usama bin Laden and the Taliban. In addition, the United States has designated and blocked the assets of the largest U.S.-based Islamic charity, which acted as a funding vehicle for the HAMAS terrorist organization. To date, we have frozen \$6.3 million in U.S. charitable funds, and an additional \$5.2 million in charitable funds have been frozen or seized in other countries.

U.S. Treasury officials have also met with charitable sector watchdog and accreditation organizations, including the *Better Business Bureau Wise Giving Alliance* and the *International Committee on Fundraising Organizations*, to raise their awareness of the threat posed by terrorist financing. We will continue these efforts to promote effective self-regulation and oversight within the charitable industry.

We are also increasing the transparency and oversight of charities through multilateral efforts. FATF Special Recommendation VIII on Terrorist Financing commits all member nations to ensure that non-profit organizations cannot be misused by financiers of terrorism. The United States is co-chairing the FATF Terrorist Financing Working Group that is developing international best practices on how to protect charities from abuse or infiltration by terrorists and their supporters.

We are working bilaterally with many countries to ensure transparency in charitable operations. According to recent press accounts, Saudi Arabia and Kuwait have announced the establishment of oversight authorities for Saudi and Kuwaiti charities in their respective countries. We are confident that our work bilaterally and through FATF on this issue will prompt other countries to adopt competent authorities to protect charities from terrorist abuse.

Regulating Hawalas / Informal Value Transfer Systems

Terrorists have also used hawalas and other informal value transfer systems as a means of terrorist financing. The word "hawala" (meaning "trust") refers to a fast and cost-effective

method for the worldwide remittance of money or value, particularly for persons who may be outside the reach of the traditional financial sector. In some nations hawalas are illegal; in others they are active but unregulated. It is therefore difficult to measure accurately the total volume of financial activity associated with the system; however, it is estimated that, at a minimum, tens of billions of dollars flow through hawalas and other informal value transfer systems on an annual basis. Officials in Pakistan, for example, estimate that more than \$7 billion flow into the nation through hawala channels each year.

Some of the features which make hawalas attractive to legitimate customers -- efficiency, reliable access to remote or under-developed regions, and low cost -- also make the system attractive for the transfer of illicit or terrorist-directed funds. Traditionally, informal value transfer systems such as hawalas have largely escaped financial regulation. As noted in a recent money laundering report of the Asia Pacific Group, a FATF-style regional body, the terrorist events of September 11th have brought into focus the ease with which informal value transfer systems may be utilized to conceal and transfer illicit funds. Not surprisingly, concerns in this area have led many nations to reexamine their regulatory policies and practices in regard to hawalas and other informal value transfer systems.

The United States has already taken steps to regulate hawalas and informal value transfer systems. The USA PATRIOT Act requires money remitters (underground or otherwise) to register as "money services business" or "MSBs", thereby subjecting them to existing money laundering and terrorist financing regulations, including the requirement to file Suspicious Activity Reports (SARs). As a result, well over 10,000 money service businesses have registered with the federal government and are now required to report suspicious activities. The Act also makes it a crime for the money transfer business owner to move funds that he knows are the proceeds of a crime or are intended to be used in unlawful activity. Failure to register with FinCEN and/or failure to obtain a state license also are federal crimes.¹

We have succeeded in disrupting the operations of several illegal money remitters implicated in terrorist financing. U.S. experts have worked with officials in other nations on proposed licensing and/or registration regimes for money remitters, including hawala operators, to ensure greater transparency and record-keeping in their transactions. We will work closely with the Department of Justice to ensure a balanced, but aggressive, use of criminal authorities to charge individuals who are operating illegal money remitting businesses.

We are also working to ensure the integrity and transparency of informal value transfer systems internationally. FATF Special Recommendation VI addresses this issue by demanding that countries register or license informal value transfer businesses and subject them to all of the FATF Recommendations that apply to banks and non-bank financial institutions. In addition, at a conference on hawala in the UAE in May 2002, a number of governments agreed to adopt FATF Special Recommendation VI and shortly thereafter the UAE government announced it would impose a licensing requirement on hawala operators operating within its borders. Participants at the UAE meeting drafted and agreed upon the Abu Dhabi Declaration on Hawala, which set forth a number of principles calling for the regulation of hawalas.

¹ 18 U.S.C. § 1960.

On the international training front, FinCEN is hosting a conference on informal value transfer systems in Oaxaca, Mexico, today. The full-day schedule will include presentations and discussions covering the money laundering risks posed by informal value transfer systems, such as hawala, and the law enforcement and regulatory challenges posed by such systems. The key findings from FinCEN's outreach efforts to the law enforcement community will be shared with international law enforcement officials at the seminar. Speakers will include representatives from The New York State Attorney General's Office, Italy, the United Kingdom, Bahrain, and the World Bank

Combating Bulk Cash Smuggling

Bulk cash smuggling has proven to be yet another means of financing adopted by terrorists and their financiers. Disruption of this tactic requires a global approach. To identify and attack bulk cash movements, we must work with the international community to ensure mandated inbound/outbound currency reporting at reasonable levels (*e.g.*, U.S. reporting threshold is \$10,000). Further, intelligence-gathering and law enforcement/customs agencies must cooperate with immigration officials to share information about potential terrorist financing smugglers/couriers. We are currently exploring the idea of creating multi-lateral Customs-to-Customs "Hotlines", where appropriate, to exchange "real time" bulk currency information, as well as the sharing of large value cross-border cash reports.

Investigating Trade-Based Terrorist Financing

With respect to trade-based financial systems, we will continue to investigate the use of licit and illicit international trade commodities, for example, diamonds, gold, honey, cigarettes, as well as narcotics, to fund terrorism. Countering these trade-based terrorist financing systems demands consultation with domestic as well as international trade communities and will require further bilateral and multilateral efforts. International capacity-building in this arena could include sharing and comparing trade-based data bi-laterally and on a regional level to identify and attack unexplained anomalies.

To combat illicit international trade commodities such as narcotics, we must build from existing domestic and international law enforcement and investigative authorities and initiatives. As we have seen with both the Taliban and the FARC, narcotics trafficking presents these groups with the greatest potential for raising the funds they need to support their terrorist regimes. Additionally, the associations that these groups establish with narcotics traffickers give them access to the arms traffickers and other facilitators (*i.e.*, smuggling, communication and transportation groups) that service the narcotics organizations.

Treasury (Office of Enforcement) and the United States Customs Service, in consultation with the Departments of Justice and State, have developed an international training program and are sponsoring an interagency training session in the United Arab Emirates later this month to examine trade-based financing.

Investigating Terrorist Cyber-Fundraising Activities

Finally, we recognize that terrorist groups may exploit the internet to recruit supporters and raise terrorist funds. Developing a strategy to counter such cyber-fundraising activities is a responsibility that the Treasury Department has assumed in its 2002 Anti-Money Laundering Strategy. We are currently working to devise such a strategy, and we welcome input from other government agencies and departments in this effort.

As you can see, we have developed a sophisticated understanding of the various means of terrorist financing, and we have responded with a range of domestic and international initiatives to counter each of these means. Most of these initiatives that I have been referring to are designed to give us greater access to critical financial information in the war against terrorist financing. In order to take advantage of this information, we have created an operational, interagency investigative group whose purpose is to targeting terrorist financing.

Operation Green Quest

As I indicated earlier, on October 25, 2001, Treasury created Operation Green Quest ("OGQ") to focus the Treasury Department's financial expertise in the war against terrorist financing. OGQ identifies and attacks terrorist financing through a systemic financial approach. OGQ specializes in identifying financial mechanisms, such as illegal money remitters, and searching those systems to identify potential terrorist financing. This systems-based approach, and the understanding that the financing of terrorism is not merely an ancillary component of a terrorist-specific investigation, differentiates OGQ from other governmental efforts and brings the unique financial capabilities of Treasury components to bear against terrorist financing.

OGQ is led by the United States Customs Service, and includes the Internal Revenue Service, the Secret Service, the Bureau of Alcohol Tobacco and Firearms (ATF), Treasury's Office of Foreign Assets Control (OFAC), FinCEN, the Postal Inspection Service, the Federal Bureau of Investigation (FBI), and the Department of Justice. The financial expertise of the Treasury Bureaus, along with the exceptional experience of our partner agencies and departments, is also utilized in this operational attack on terrorist financing.

OGQ has complemented the work of OFAC and Foreign Terrorist Asset Tracking Group (FTAT-G) in identifying terrorist networks at home and abroad, and it has served as an investigative arm in aid of blocking actions. Since its inception, OGQ's investigations have resulted in 47 arrests, 28 indictments, 107 search warrants issued and/or consent searches and the seizure of over \$19 million in bulk cash (over \$11 million with a Middle East connection). For the year ending September 11, 2001, seizures outbound to Middle and Far East countries totaled \$5.216 million.

OGQ, along with the FBI and other government agencies, also has traveled abroad to follow leads, exploit documents recovered and provide assistance to foreign governments. In this effort, OGQ is utilizing its 22 Customs attaches in 31 foreign offices overseas to gather information.

These offices and attaches have proven invaluable to our operational efforts against terrorist financing.

Operational Training: Building Upon Existing Treasury Expertise

Treasury's primary assignment in the war on terrorism is to identify and attack financial mechanisms, licit and illicit, supporting terrorism. In pursuing this assignment, Treasury can build upon its efforts to identify and attack money laundering. In many cases, due to the similarity of financial systems used by targets, investigating terrorist fundraising is similar to conducting a money laundering case. There are, however, significant differences between money laundering and terrorist fundraising investigations. A key distinction is manifested in the end game sought by investigators. Money laundering investigations are initiated to achieve prosecution and forfeiture. Terrorist fundraising investigations, although sharing these objectives as well, are more nuanced. The ultimate objective is to identify, disrupt and cut off the flow of funds to terrorists. Significant accomplishments can be had without any significant domestic prosecutions.

There are other differences as well. For example, as opposed to a typical money laundering case, methods used for raising funds to support terrorist activities may be legal. Moreover, in a terrorist financing investigation, the targeted financial transactions tend to be smaller, and much less observable, for example, than the typical narcotics money laundering transaction. Identification of the transaction as suspicious, therefore, may require a much greater melding of private, law enforcement and intelligence information obtained domestically, as well as internationally. To address these issues, it is essential to develop "in-house" expertise aware of financial methods utilized by financiers of terrorism, and strategies to attack, disrupt and dismantle them. To accomplish this, interagency training is essential.

Recently, on September 24 and 25, 2002, at the Department of the Treasury, Treasury's Office of Enforcement sponsored a "Combating Terrorist Fundraising Seminar." The purpose of the seminar was to serve as a "train the trainer" mechanism, and to familiarize participants with ongoing terrorist financing methodologies and anti-terrorist financing strategies. Attending the seminar were more than 80 federal investigators, prosecutors and regulators who already possessed a familiarity with terrorist financing issues and problems. Speakers included experts in the field from the various components of Treasury, Justice and State. The participants were drawn from Treasury and its Bureaus, Justice and its components, U.S. Attorney Offices, State, the National Security Council, and Office of the Comptroller of the Currency, the Federal Reserve Board of Governors and FDIC. The seminar was well-received, and Treasury (Enforcement) is planning additional regional seminars in key locations in the United States during the next year.

III. International Efforts

I would now like to take a few moments to explain what we have been doing internationally to combat terrorist financing. Terrorist financing networks are global, and consequently, our efforts

to identify and deny terrorists access to funds must also be global. Our efforts in this aspect of the war on terrorism cannot be wholly successful if pursued alone. Internationally, the United States has worked not only through the United Nations on blocking efforts, but also through multi-lateral organizations and on a bi-lateral basis to promote international standards and protocols for combating terrorist financing generally. I would like to briefly review some of the more significant initiatives that we have pursued in the international arena.

United Nations

Because of its global nature and its ability to require states to take action under Chapter VII of the UN Charter, the UN offered the quickest route for globalizing the war against terrorism in general and terrorist financing in particular. The United States has worked diligently with the UN Security Council to adopt international resolutions, which reflect the goals of our domestic executive orders by requiring UN member states to freeze terrorist-related assets. These UN Security Council resolutions form the legal basis for freezing terrorist assets on a global basis.

The UN 1267 Committee² is responsible for UN designations of individuals and entities associated with al-Qaida, bin Laden and the Taliban. States wishing to propose a name for UN designation often will pre-notify affected states and close allies to facilitate cooperation. The United States typically pre-notifies its allies and affected states five working days in advance of formally presenting a name to the 1267 Committee for designation. After any pre-notification, a state submits a proposed name for designation to the 1267 Committee. The submission typically includes a statement of the basis for designation, along with identifying information for the use of financial institutions, customs and immigration officials, and others who must implement sanctions. If no state objects (or requests a "hold" for more time to consider, or to obtain more information on, the proposed designation) 48 hours after a name is circulated by the 1267 Committee Chairman for proposed designation, the designation becomes effective. The 1267 Committee then puts out an announcement on its web site and all UN member states are required to freeze any assets held by the designated party(ies).

We have worked with our allies in the UN to pursue bilateral and multilateral designations of terrorist-related parties where possible and appropriate. We have achieved some notable successes in this area to date:

U.S.-Saudi Joint Designations - On March 11, 2002, the United States participated in its first joint designation of a terrorist supporter. The United States and Saudi Arabia jointly designated the Somalia and Bosnia-Herzegovina offices of Al Haramain, a Saudi-based NGO. These two organizations are linked to al-Qaida and their names were forwarded to the Sanctions Committee for inclusion under the UNSCR 1333/1390 list.³ On September 9, 2002, the United States and Saudi Arabia jointly referred to the Sanctions Committee Wa'el Hamza Julaidan, an associate of Usama bin Laden and a supporter of al-Qaida terror.

² This committee was established pursuant to UN Security Council Resolution 1267 to oversee the designation of terrorist-related individuals and entities.

³ UN Resolutions 12/671333/1390 mandate blocking sanctions on Usama bin Laden and associates, including al-Qaida, as well as the Taliban.

G7 Joint Designation - On April 19, 2002, the United States, along with the other G7 members, jointly designated nine individuals and one organization. All of these groups were European-based al-Qaida organizers and financiers of terrorism. Because of their al-Qaida links, all ten of these names were forwarded to the UN Sanctions Committee for inclusion under the UNSCR 1333/1390 list.

U.S.-Italy Joint Designation - On August 29, 2002, the United States and Italy jointly designated 11 individuals and 14 entities. All of the individuals were linked to the Salafist Group for Call and Combat designated in the original U.S. Annex to E.O. 13224. The 14 entities are part of the Nada/Nasreddin financial network, two terrorist financiers designated on earlier E.O. 13224 lists.

U.S.-Central Asia Joint Designation – On September 6, 2002, the United States, Afghanistan, Kyrgyzstan, and China jointly referred to the Sanctions Committee the Eastern Turkistan Islamic Movement, an al-Qaida-linked organization which operates in these and other countries in Central Asia.

Beyond designating terrorist-related parties for blocking action on a global basis, the UN has also asked for countries to identify needs for technical assistance in order to comply with UN resolutions and conventions against terrorist financing. The UN has required all member states to submit reports on the steps they have taken to implement the various actions against terrorist financing called for in UNSCR 1373.⁴ To date, 175 members have completed their reports. The UN is reviewing those reports with the intent of identifying gaps that member nations need to fill in order to comply with UNSCR 1373.

Financial Action Task Force (FATF)

Since 1989, the 31-member FATF has served as the preeminent anti-money laundering multilateral organization in the world. The United States has played a leading role in the development of this organization. Capitalizing on this financial crime expertise, on October 31, 2001, at the United States' initiative, the FATF issued Eight Special Recommendations on terrorist financing, requiring all member nations to:

- (1) Ratify the UN International Convention for the Suppression of the Financing of Terrorism and implement relevant UN Resolutions against terrorist financing;
- (2) Criminalize the financing of terrorism, terrorist acts and terrorist organizations;
- (3) Freeze and confiscate terrorist assets;
- (4) Require financial institutions to report suspicious transactions linked to terrorism;

⁴ UN Resolution 1373 mandates member States to: (1) prevent and suppress the financing of terrorist acts; (2) criminalize providing or collecting funds for terrorist use; and (3) block without delay funds and other financial assets and economic resources of terrorists and their supporters, and entities owned or controlled by them or their agents.

- (5) Provide the widest possible assistance to other countries' laws enforcement and regulatory authorities for terrorist financing investigations;
- (6) Impose anti-money laundering requirements on alternative remittance systems;
- (7) Require financial institutions to include accurate and meaningful originator information in money transfers; and
- (8) Ensure that non-profit organizations cannot be misused to finance terrorism.

Many non-FATF countries have committed to complying with the Eight Recommendations and over 80 non-FATF members have already submitted self-assessment questionnaires to FATF describing their compliance with these recommendations. Together with the Departments of State and Justice, Treasury will continue to work with the FATF to build on its successful record in persuading jurisdictions to adopt anti-money laundering and anti-terrorist financing regimes to strengthen global protection against terrorist finance.

As part of this effort, FATF has established a Terrorist Financing Working Group, which the United States is co-chairing with Spain, devoted specifically to developing and strengthening FATF's efforts in this field. Among other initiatives on its agenda, the Working Group has begun a process to identify nations that will need assistance to come into compliance with the Eight Special Recommendations on Terrorist Financing.

Egmont Group

Through FinCEN, we have directed the attention of the Egmont Group towards terrorist financing. The Egmont Group is an international organization of 69 Financial Intelligence Units (FIUs) from various countries around the world. FinCEN serves as the U.S. FIU. The FIUs in each nation receive financial information (such as SARs) from financial institutions pursuant to each government's particular anti-money laundering laws, analyzes and processes these disclosures, and disseminates the information domestically to appropriate government authorities and internationally to other FIUs in support of national and international law enforcement operations.

Since September 11th, the Egmont Group has taken steps to leverage its information collection and sharing capabilities to support the United States in its global war on terrorism. On October 31, 2001, FinCEN hosted a special Egmont Group meeting that focused on the FIUs' role in the fight against terrorism. The FIUs agreed to: work to eliminate impediments to information exchange; make terrorist financing a form of suspicious activity to be reported by all financial sectors to their respective FIUs; undertake joint studies of particular money laundering vulnerabilities, especially when they may have some bearing on counterterrorism, such as hawala; and create sanitized cases for training purposes.

In June 2002, 11 new FIUs were admitted to the Egmont Group, increasing its size to 69 members. Approximately ten additional FIUs are being considered for admission to the Egmont Group, and Egmont is planning training sessions to improve on a continuing basis the analytical

capabilities of FIU staff around the world. Training is being conducted this week in Oaxaca, Mexico. FinCEN is heavily involved and has sent four speakers.

Bilateral/Multilateral Law Enforcement Cooperation

An unintended consequence for al-Qaida of its heinous actions on September 11th has been unprecedented international law enforcement cooperation and information sharing on a scale inconceivable prior to the 9/11 attack. As these efforts continue to improve, terrorist cells and networks become more vulnerable. Let me briefly recount some of our successes with respect to international law enforcement cooperation:

U.S.-Swiss Operative Working Arrangement: On September 4, 2002, a working arrangement signed by the Attorney Generals of Switzerland and the United States and the Deputy Secretary of the Treasury was agreed to in Washington. Under this agreement, Swiss and U.S. federal agents have been assigned to each country's terrorism and terrorist financing task forces in order to accelerate and amplify work together on cases of common concern. Bilateral cooperation and assistance is occurring on a more informal basis in many other countries.

Successful Results: International law enforcement cooperation has resulted in over 2400 arrests of suspected terrorists and their financiers in 95 countries. Some of these arrests have led to the prevention of terrorist attacks in Singapore, Morocco and Germany, and have uncovered al-Qaida cells and support networks in Italy, Germany, and Spain, the Philippines and Malaysia, among other places. In addition, soon after September 11th, a Caribbean ally provided critical financial information through its FIU to FinCEN that allowed the revelation of a financial network that supported terrorist groups and stretched around the world.

IV. Conclusion

The range of initiatives that I briefly have shared with you today highlights the complexity of the tasks at hand. We have made substantial progress since September 11th, and since my last testimony before Congress. This progress is owing to the outstanding cooperation and hard work of all U.S. government agencies and departments and the international community to close the seams that terrorists had exploited before last fall. We are proud of our efforts, but realize that much work remains to be done.

I will be happy to answer any questions you may have.
